



HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2005
OF THE CONDITION AND AFFAIRS OF THE

M-CAID

NAIC Group Code

34143414

(Current)(Prior)

NAIC Company Code11557Employer's ID Number32-0026448

Organized under the Laws ofMichigan, State of Domicile or Port of EntryMichigan

Country of DomicileUnited States of America

Licensed as business type:Health Maintenance Organization

Is HMO Federally Qualified? Yes [X] No []

Incorporated/Organized09/25/2002Commenced Business01/01/2003

Statutory Home Office2301 Commonwealth Blvd.2301 Commonwealth Blvd. Ann Arbor , Michigan 48105
(Street and Number)(City or Town, State and Zip Code)

Main Administrative Office2301 Commonwealth Blvd.2301 Commonwealth Blvd. Ann Arbor , Michigan 48105
(Street and Number)(City or Town, State and Zip Code)734-747-8700
(Area Code) (Telephone Number)

Mail Address2301 Commonwealth Blvd.2301 Commonwealth Blvd. Ann Arbor , MI 48105
(Street and Number or P.O. Box)(City or Town, State and Zip Code)

Primary Location of Books and Records2301 Commonwealth Blvd.2301 Commonwealth Blvd. Ann Arbor , MI 48105
(Street and Number)(City or Town, State and Zip Code)734-747-8700
(Area Code) (Telephone Number)

Internet Website Address

Statutory Statement ContactTonya D MooreTonya D Moore734-332-2351
(Name)(Area Code) (Telephone Number)
Tdmooore@Mcare.med.umich.edu734-332-2177
(E-mail Address)(FAX Number)

Policyowner Relations Contact2301 Commonwealth Blvd.2301 Commonwealth Blvd. Ann Arbor , MI 48105
(Street and Number)(City or Town, State and Zip Code)
(Area Code) (Telephone Number)

OFFICERS

PresidentZelda Geyer-Sylvia

TreasurerDouglas L Strong

OTHER

DIRECTORS OR TRUSTEES

Zelda Geyer-Sylvia

Joleen Immerfall

Robert P. Kelch M.D.

State of _____ SS:
County of _____

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Zelda Geyer-SylviaPresident

Douglas L. StrongTreasurer

Subscribed and sworn to before me this _____ day of _____

a. Is this an original filing? Yes [X] No []
b. If no,
1. State the amendment number.....
2. Date filed
3. Number of pages attached.....

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE M CAID

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D)	1, 108, 641		1, 108, 641	1, 078, 089
2. Stocks (Schedule D):				
2.1 Preferred stocks			0	0
2.2 Common stocks			0	0
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances)			0	0
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)			0	0
5. Cash (\$ (202, 361) , Schedule E - Part 1), cash equivalents (\$, Schedule E - Part 2) and short-term investments (\$ 590, 455 , Schedule DA)	388, 095		388, 095	730, 229
6. Contract loans, (including \$ premium notes)			0	0
7. Other invested assets (Schedule BA)			0	0
8. Receivables for securities			0	0
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	1, 496, 736	0	1, 496, 736	1, 808, 318
11. Title plants less \$ charged off (for Title insurers only)			0	
12. Investment income due and accrued	24, 841		24, 841	28, 943
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection			0	0
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)			0	0
13.3 Accrued retrospective premiums			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers			0	0
14.2 Funds held by or deposited with reinsured companies			0	0
14.3 Other amounts receivable under reinsurance contracts			0	0
15. Amounts receivable relating to uninsured plans			0	0
16.1 Current federal and foreign income tax recoverable and interest thereon			0	0
16.2 Net deferred tax asset			0	0
17. Guaranty funds receivable or on deposit			0	0
18. Electronic data processing equipment and software			0	0
19. Furniture and equipment, including health care delivery assets (\$)			0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
21. Receivables from parent, subsidiaries and affiliates			0	28, 282
22. Health care (\$) and other amounts receivable	2, 978, 908	1, 133, 117	1, 845, 791	1, 458, 748
23. Aggregate write-ins for other than invested assets	0	0	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	4, 500, 485	1, 133, 117	3, 367, 368	3, 324, 291
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
26. Total (Lines 24 and 25)	4, 500, 485	1, 133, 117	3, 367, 368	3, 324, 291
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998)(Line 9 above)	0	0	0	0
2301.			0	0
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	0	0	0	0

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE M CAID

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1	2	3	4
	Covered	Uncovered	Total	Total
1. Claims unpaid (less \$0 reinsurance ceded)	1,143,008		1,143,008	1,210,140
2. Accrued medical incentive pool and bonus amounts			0	0
3. Unpaid claims adjustment expenses.....	34,734		34,734	37,912
4. Aggregate health policy reserves.....			0	0
5. Aggregate life policy reserves.....			0	0
6. Property/casualty unearned premium reserves.....			0	0
7. Aggregate health claim reserves.....			0	0
8. Premiums received in advance.....			0	0
9. General expenses due or accrued.....	47,597		47,597	17,768
10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized capital gains (losses))			0	0
10.2 Net deferred tax liability.....			0	0
11. Ceded reinsurance premiums payable.....			0	0
12. Amounts withheld or retained for the account of others.....			0	0
13. Remittance and items not allocated.....			0	0
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current).....			0	0
15. Amounts due to parent, subsidiaries and affiliates.....	105,316		105,316	0
16. Payable for securities.....			0	0
17. Funds held under reinsurance treaties (with \$ authorized reinsurers and \$0 unauthorized reinsurers).....			0	0
18. Reinsurance in unauthorized companies.....			0	0
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
20. Liability for amounts held under uninsured accident and health plans.....			0	0
21. Aggregate write-ins for other liabilities (including \$ current).....	0	0	0	0
22. Total liabilities (Lines 1 to 21).....	1,330,655	0	1,330,655	1,265,820
23. Aggregate write-ins for special surplus funds.....	XXX	XXX	0	0
24. Common capital stock.....	XXX	XXX		
25. Preferred capital stock.....	XXX	XXX		
26. Gross paid in and contributed surplus.....	XXX	XXX	1,750,000	1,750,000
27. Surplus notes.....	XXX	XXX		
28. Aggregate write-ins for other than special surplus funds.....	XXX	XXX	0	0
29. Unassigned funds (surplus).....	XXX	XXX	286,713	308,471
30. Less treasury stock, at cost: 30.1 shares common (value included in Line 24 \$).....	XXX	XXX		
30.2 shares preferred (value included in Line 25 \$).....	XXX	XXX		
31. Total capital and surplus (Lines 23 to 29 minus Line 30).....	XXX	XXX	2,036,713	2,058,471
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	3,367,368	3,324,291
DETAILS OF WRITE-INS				
2101. ~			0	0
2102.				
2103.				
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199. Totals (Lines 2101 thru 2103 plus 2198)(Line 21 above)	0	0	0	0
2301.	XXX	XXX		
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	XXX	XXX	0	0
2801.	XXX	XXX		
2802.	XXX	XXX		
2803.	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX	0	0
2899. Totals (Lines 2801 thru 2803 plus 2898)(Line 28 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	209,527	190,408
2. Net premium income (including \$ non-health premium income)	XXX	34,721,256	29,686,842
3. Change in unearned premium reserves and reserve for rate credits	XXX	0	0
4. Fee-for-service (net of \$ medical expenses)	XXX	0	0
5. Risk revenue	XXX	0	0
6. Aggregate write-ins for other health care related revenues	XXX	(2,160,958)	(1,681,669)
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	32,560,298	28,005,173
Hospital and Medical:			
9. Hospital/medical benefits		22,452,737	19,068,962
10. Other professional services			
11. Outside referrals			
12. Emergency room and out-of-area			
13. Prescription drugs		5,173,693	4,428,862
14. Aggregate write-ins for other hospital and medical	0	1,572,314	1,426,402
15. Incentive pool, withhold adjustments, and bonus amounts			
16. Subtotal (Lines 9 to 15)	0	29,198,744	24,924,226
Less:			
17. Net reinsurance recoveries			
18. Total hospital and medical (Lines 16 minus 17)	0	29,198,744	24,924,226
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$139,585 cost containment expenses		256,398	230,389
21. General administrative expenses		2,594,589	2,459,029
22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only)			
23. Total underwriting deductions (Lines 18 through 22).....	0	32,049,731	27,613,644
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	510,567	391,529
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		83,960	83,589
26. Net realized capital gains (losses) less capital gains tax of \$			0
27. Net investment gains (losses) (Lines 25 plus 26)	0	83,960	83,589
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)]			
29. Aggregate write-ins for other income or expenses	0	0	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	594,527	475,118
31. Federal and foreign income taxes incurred	XXX		
32. Net income (loss) (Lines 30 minus 31)	XXX	594,527	475,118
DETAILS OF WRITE-INS			
0601. Quality Assurance Assessment Fee	XXX	(2,160,958)	(1,681,669)
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698)(Line 6 above)	XXX	(2,160,958)	(1,681,669)
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798)(Line 7 above)	XXX	0	0
1401. Misc. Health and Mental Health		1,572,314	1,426,402
1402. Stop Loss Insurance			0
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498)(Line 14 above)	0	1,572,314	1,426,402
2901. ~			0
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998)(Line 29 above)	0	0	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL AND SURPLUS ACCOUNT:		
33. Capital and surplus prior reporting year.....	2,058,471	2,064,063
GAINS AND LOSSES TO CAPITAL & SURPLUS:		
34. Net income or (loss) from Line 32	594,527	475,118
35. Change in valuation basis of aggregate policy and claim reserves		
36. Change in net unrealized capital gains (losses) less capital gains tax of \$		(16,671)
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax		
39. Change in nonadmitted assets	(616,286)	(464,039)
40. Change in unauthorized reinsurance	0	0
41. Change in treasury stock	0	0
42. Change in surplus notes	0	0
43. Cumulative effect of changes in accounting principles.....		
44. Capital Changes:		
44.1 Paid in	0	0
44.2 Transferred from surplus (Stock Dividend).....	0	0
44.3 Transferred to surplus.....		
45. Surplus adjustments:		
45.1 Paid in	0	0
45.2 Transferred to capital (Stock Dividend)		
45.3 Transferred from capital		
46. Dividends to stockholders		
47. Aggregate write-ins for gains or (losses) in surplus	0	0
48. Net change in capital & surplus (Lines 34 to 47)	(21,759)	(5,592)
49. Capital and surplus end of reporting period (Line 33 plus 48)	2,036,712	2,058,471
DETAILS OF WRITE-INS		
4701.		
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798)(Line 47 above)	0	0

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE M CAID

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	34,721,256	29,765,139
2. Net investment income	114,496	88,914
3. Miscellaneous income	(2,160,958)	(2,557,479)
4. Total (Lines 1 through 3)	32,674,794	27,296,574
5. Benefit and loss related payments	29,265,876	24,766,172
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	2,824,336	2,703,476
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) \$ net of tax on capital gains (losses)	0	0
10. Total (Lines 5 through 9)	32,090,212	27,469,648
11. Net cash from operations (Line 4 minus Line 10)	584,582	(173,074)
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	1,157,964	62,752
12.2 Stocks	0	0
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0
12.7 Miscellaneous proceeds	0	16,671
12.8 Total investment proceeds (Lines 12.1 to 12.7)	1,157,964	79,423
13. Cost of investments acquired (long-term only):		
13.1 Bonds	1,214,950	141,515
13.2 Stocks	0	0
13.3 Mortgage loans	0	0
13.4 Real estate	0	0
13.5 Other invested assets	0	0
13.6 Miscellaneous applications	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	1,214,950	141,515
14. Net increase (decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(56,986)	(62,092)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	0	0
16.2 Capital and paid in surplus, less treasury stock	0	0
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0
16.5 Dividends to stockholders	0	0
16.6 Other cash provided (applied)	(869,731)	755,221
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(869,731)	755,221
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(342,135)	520,055
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	730,229	210,174
19.2 End of year (Line 18 plus Line 19.1)	388,094	730,229

Note: Supplemental disclosures of cash flow information for non-cash transactions:

.....		
.....		
.....		
.....		

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE M CAID

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS (Gain and Loss Exhibit)

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-term Care	Other Health	Other Non-Health
1. Net premium income	34,721,256							34,725,391	(4,135)				
2. Change in unearned premium reserves and reserve for rate credit	0												
3. Fee-for-service (net of \$													XXX
medical expenses)	0												XXX
4. Risk revenue	0												
5. Aggregate write-ins for other health care related revenues	(2,160,958)	0	0	0	0	0	0	(2,160,958)	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	32,560,298	0	0	0	0	0	0	32,564,433	(4,135)	0	0	0	0
8. Hospital/medical benefits	22,452,737							22,452,737					XXX
9. Other professional services	0												XXX
10. Outside referrals	0												XXX
11. Emergency room and out-of-area	0							0					XXX
12. Prescription drugs	5,173,693							5,173,693					XXX
13. Aggregate write-ins for other hospital and medical	1,572,314	0	0	0	0	0	0	1,572,314	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	0												XXX
15. Subtotal (Lines 8 to 14)	29,198,744	0	0	0	0	0	0	29,198,744	0	0	0	0	XXX
16. Net reinsurance recoveries	0												XXX
17. Total medical and hospital (Lines 15 minus 16)	29,198,744	0	0	0	0	0	0	29,198,744	0	0	0	0	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses including \$	256,398							256,398					
cost containment expenses													
20. General administrative expenses	2,594,590							2,594,590					
21. Increase in reserves for accident and health contracts	0												XXX
22. Increase in reserves for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	32,049,732	0	0	0	0	0	0	32,049,732	0	0	0	0	0
24. Total underwriting gain or (loss) (Line 7 minus Line 23)	510,566	0	0	0	0	0	0	514,701	(4,135)	0	0	0	0
DETAILS OF WRITE-INS													
0501. Quality Assurance Assessment Fee	(2,160,958)							(2,160,958)					XXX
0502.													XXX
0503.													XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	(2,160,958)	0	0	0	0	0	0	(2,160,958)	0	0	0	0	XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301. Misc. Health and Mental Health	1,572,314							1,572,314					XXX
1302.													XXX
1303.													XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	XXX
1399. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above)	1,572,314	0	0	0	0	0	0	1,572,314	0	0	0	0	XXX

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE M CAID

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical)				0
2. Medicare Supplement				0
3. Dental only				0
4. Vision only				0
5. Federal Employees Health Benefits Plan				0
6. Title XVIII - Medicare	0			0
7. Title XIX - Medicaid	34,725,391		4,135	34,721,256
8. Stop loss				0
9. Disability income				0
10. Long-term care				0
11. Other health				0
12. Health subtotal (Lines 1 through 11)	34,725,391	0	4,135	34,721,256
13. Life	0			0
14. Property/casualty	0			0
15. Totals (Lines 12 to 14)	34,725,391	0	4,135	34,721,256

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE M CAID

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Payments during the year:													
1.1 Direct	29,269,054							29,269,054					
1.2 Reinsurance assumed	0												
1.3 Reinsurance ceded	0							0					
1.4 Net	29,269,054	0	0	0	0	0	0	29,269,054	0	0	0	0	0
2. Paid medical incentive pools and bonuses	0												
3. Claim liability December 31, current year from Part 2A:													
3.1 Direct	1,177,742	0	0	0	0	0	0	1,177,742	0	0	0	0	0
3.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
3.4 Net	1,177,742	0	0	0	0	0	0	1,177,742	0	0	0	0	0
4. Claim reserve December 31, current year from Part 2D:													
4.1 Direct	0												
4.2 Reinsurance assumed	0												
4.3 Reinsurance ceded	0												
4.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	0												
6. Net healthcare receivables (a)	0												
7. Amounts recoverable from reinsurers December 31, current year	0												
8. Claim liability December 31, prior year from Part 2A:													
8.1 Direct	1,248,052	0	0	0	0	0	0	1,248,052	0	0	0	0	0
8.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
8.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
8.4 Net	1,248,052	0	0	0	0	0	0	1,248,052	0	0	0	0	0
9. Claim reserve December 31, prior year from Part 2D:													
9.1 Direct	0												
9.2 Reinsurance assumed	0												
9.3 Reinsurance ceded	0												
9.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	0												
11. Amounts recoverable from reinsurers December 31, prior year	0												
12. Incurred Benefits:													
12.1 Direct	29,198,744	0	0	0	0	0	0	29,198,744	0	0	0	0	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
12.4 Net	29,198,744	0	0	0	0	0	0	29,198,744	0	0	0	0	0
13. Incurred medical incentive pools and bonuses	0	0	0	0	0	0	0	0	0	0	0	0	0

(a) Excludes \$ loans or advances to providers not yet expensed.

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE M CAID

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Reported in Process of Adjustment:													
1.1 Direct	0												
1.2 Reinsurance assumed	0												
1.3 Reinsurance ceded	0												
1.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
2. Incurred but Unreported:													
2.1 Direct	1,177,742							1,177,742					
2.2 Reinsurance assumed	0												
2.3 Reinsurance ceded	0												
2.4 Net	1,177,742	0	0	0	0	0	0	1,177,742	0	0	0	0	0
3. Amounts Withheld from Paid Claims and Capitations:													
3.1 Direct	0												
3.2 Reinsurance assumed	0												
3.3 Reinsurance ceded	0												
3.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
4. TOTALS:													
4.1 Direct	1,177,742	0	0	0	0	0	0	1,177,742	0	0	0	0	0
4.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
4.4 Net	1,177,742	0	0	0	0	0	0	1,177,742	0	0	0	0	0

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE M CAID

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1	2	3	4		
	On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid December 31 of Prior Year	On Claims Incurred During the Year	Claims Incurred In Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)					0	
2. Medicare Supplement					0	
3. Dental Only					0	
4. Vision Only					0	
5. Federal Employees Health Benefits Plan					0	
6. Title XVIII - Medicare					0	
7. Title XIX - Medicaid	1,041,831	28,227,223	153,122	1,024,620	1,194,953	1,248,052
8. Other health					0	
9. Health subtotal (Lines 1 to 8)	1,041,831	28,227,223	153,122	1,024,620	1,194,953	1,248,052
10. Healthcare receivables (a)					0	
11. Other non-health					0	
12. Medical incentive pools and bonus amounts					0	
13. Totals (Lines 9 - 10 + 11 + 12)	1,041,831	28,227,223	153,122	1,024,620	1,194,953	1,248,052

(a) Excludes \$ loans or advances to providers not yet expensed.

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE M CAID

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Title XIX

Year in Which Losses Were Incurred						Cumulative Net Amounts Paid				
						1 2001	2 2002	3 2003	4 2004	5 2005
1.	Prior					0	0	0	0	
2.	2001									
3.	2002					XXX				
4.	2003					XXX	XXX	21,456		
5.	2004					XXX	XXX	XXX	23,676	
6.	2005					XXX	XXX	XXX	XXX	28,021

Section B - Incurred Health Claims - Title XIX

Year in Which Losses Were Incurred						Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
						1 2001	2 2002	3 2003	4 2004	5 2005
1.	Prior					0	0	0	0	
2.	2001									
3.	2002					XXX				
4.	2003					XXX	XXX	22,556		
5.	2004					XXX	XXX	XXX	24,924	
6.	2005					XXX	XXX	XXX	XXX	29,198

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Title XIX

Years in which Premiums were Earned and Claims were Incurred		1	2	3	4	5	6	7	8	9	10
		Premiums Earned	Claims Payment	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	(Col. 9/1) Percent
1.	2001				0.0	0	0.0			0	0.0
2.	2002				0.0	0	0.0			0	0.0
3.	2003	25,351	21,456		0.0	21,456	84.6	1,052	47	22,555	89.0
4.	2004	28,005	23,676		0.0	23,676	84.5	1,210	38	24,924	89.0
5.	2005	34,721	28,021		0.0	28,021	80.7	1,143	34	29,198	84.1

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE M CAID

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2001	2 2002	3 2003	4 2004	5 2005
1.	Prior	0	0	0	0	0
2.	2001	0	0	0	0	0
3.	2002	XXX	0	0	0	0
4.	2003	XXX	XXX	21,456	0	0
5.	2004	XXX	XXX	XXX	23,676	0
6.	2005	XXX	XXX	XXX	XXX	28,021

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2001	2 2002	3 2003	4 2004	5 2005
1.	Prior	0	0	0	0	0
2.	2001	0	0	0	0	0
3.	2002	XXX	0	0	0	0
4.	2003	XXX	XXX	22,556	0	0
5.	2004	XXX	XXX	XXX	24,924	0
6.	2005	XXX	XXX	XXX	XXX	29,198

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Grand Total

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payment	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2001	0	0	0	0.0	0	0.0	0	0	0	0.0
2. 2002	0	0	0	0.0	0	0.0	0	0	0	0.0
3. 2003	25,351	21,456	0	0.0	21,456	84.6	1,052	47	22,555	89.0
4. 2004	28,005	23,676	0	0.0	23,676	84.5	1,210	38	24,924	89.0
5. 2005	34,721	28,021	0	0.0	28,021	80.7	1,143	34	29,198	84.1

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE M CAID

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9	10	11	12
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
1. Unearned premium reserves												
2. Additional policy reserves (a)												
3. Reserve for future contingent benefits												
4. Reserve for rate credits or experience rating refunds (including \$) for investment income												
5. Aggregate write-ins for other policy reserves ...												
6. Totals (Gross)												
7. Reinsurance ceded												
8. Totals (Net)(Page 3, Line 4)												
9. Present value of amounts not yet due on claims												
10. Reserve for future contingent benefits												
11. Aggregate write-ins for other claim reserves ...												
12. Totals (gross)												
13. Reinsurance ceded												
14. Totals (Net)(Page 3, Line 7)												
DETAILS OF WRITE-INS												
0501.												
0502.												
0503.												
0598. Summary of remaining write-ins for Line 5 from overflow page.....												
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)												
1101.												
1102.												
1103.												
1198. Summary of remaining write-ins for Line 11 from overflow page												
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)												

(a) Includes \$ premium deficiency reserve.

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE M CAID

UNDERWRITING AND INVESTMENT EXHIBIT

	Claim Adjustment Expenses		3	4	5
	1	2			
	Claim Adjustment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1. Rent (\$ for occupancy of own building)					0
2. Salary, wages and other benefits					0
3. Commissions (less \$ ceded plus \$ assumed)					0
4. Legal fees and expenses					0
5. Certifications and accreditation fees					0
6. Auditing, actuarial and other consulting services					0
7. Traveling expenses					0
8. Marketing and advertising					0
9. Postage, express and telephone					0
10. Printing and office supplies					0
11. Occupancy, depreciation and amortization					0
12. Equipment					0
13. Cost or depreciation of EDP equipment and software					0
14. Outsourced services including EDP, claims, and other services			7,840		7,840
15. Boards, bureaus and association fees					0
16. Insurance, except on real estate					0
17. Collection and bank service charges			7,001		7,001
18. Group service and administration fees					0
19. Reimbursements by uninsured accident and health plans					0
20. Reimbursements from fiscal intermediaries					0
21. Real estate expenses					0
22. Real estate taxes					0
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes					0
23.2 State premium taxes					0
23.3 Regulatory authority licenses and fees					0
23.4 Payroll taxes					0
23.5 Other (excluding federal income and real estate taxes)					0
24. Investment expenses not included elsewhere				6,537	6,537
25. Aggregate write-ins for expenses	139,585	116,813	2,579,748	0	2,836,146
26. Total expenses incurred (Lines 1 to 25)	139,585	116,813	2,594,589	6,537	(a) .....2,857,524
27. Less expenses unpaid December 31, current year .			47,597		47,597
28. Add expenses unpaid December 31, prior year			17,768		17,768
29. Amounts receivable relating to uninsured accident and health plans, prior year					0
30. Amounts receivable relating to uninsured accident and health plans, current year					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	139,585	116,813	2,564,760	6,537	2,827,695
DETAILS OF WRITE-INS					
2501. Fees under the management agreement	139,585	116,813	2,579,748		2,836,146
2502.					
2503.					
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	139,585	116,813	2,579,748	0	2,836,146

(a) Includes management fees of \$ to affiliates and \$ to non-affiliates.

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE M CAID

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. government bonds	(a) .....67,223	.....34,774
1.1	Bonds exempt from U.S. tax	(a) .....	.....
1.2	Other bonds (unaffiliated)	(a) .....	.....
1.3	Bonds of affiliates	(a) .....	.....
2.1	Preferred stocks (unaffiliated)	(b) .....	.....
2.11	Preferred stocks of affiliates	(b) .....	.....
2.2	Common stocks (unaffiliated) .....	.....	.....
2.21	Common stocks of affiliates .....	.....	.....
3.	Mortgage loans	(c) .....	.....
4.	Real estate	(d) .....	.....
5	Contract Loans .....	.....	.....
6	Cash, cash equivalents and short-term investments	(e) .....58,510	.....60,423
7	Derivative instruments	(f) .....	.....
8.	Other invested assets .....	.....	.....
9.	Aggregate write-ins for investment income .....	.....0	.....0
10.	Total gross investment income	125,733	95,197
11.	Investment expenses		(g) .....0
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g) .....6,537
13.	Interest expense		(h) .....4,699
14.	Depreciation on real estate and other invested assets		(i)
15.	Aggregate write-ins for deductions from investment income .....		.....0
16.	Total deductions (Lines 11 through 15) .....		.....11,236
17.	Net investment income (Line 10 minus Line 16)		83,961
DETAILS OF WRITE-INS			
0901.	.....	
0902.	.....	
0903.	.....	
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)	0	0
1501.	.....	
1502.	.....	
1503.	.....	
1598.	Summary of remaining write-ins for Line 15 from overflow page		0
1599.	Totals (Lines 1501 thru 1303 plus 1598) (Line 15, above)		0

- (a) Includes \$906 accrual of discount less \$27,340 amortization of premium and less \$4,699 paid for accrued interest on purchases.
- (b) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued dividends on purchases.
- (c) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
- (d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
- (e) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
- (f) Includes \$ accrual of discount less \$ amortization of premium.
- (g) Includes \$. investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ interest on surplus notes and \$ interest on capital notes.
- (i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4
		Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Increases (Decreases) by Adjustment	Total
1.	U.S. Government bonds				0
1.1	Bonds exempt from U.S. tax				0
1.2	Other bonds (unaffiliated)				0
1.3	Bonds of affiliates				0
2.1	Preferred stocks (unaffiliated)				0
2.11	Preferred stocks of affiliates				0
2.2	Common stocks (unaffiliated)				0
2.21	Common stocks of affiliates				0
3.	Mortgage loans				0
4.	Real estate				0
5.	Contract Loans				0
6.	Cash, cash equivalents and short-term investments				0
7.	Derivative instruments				0
8.	Other invested assets				0
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0
10.	Total capital gains (losses)	0	0	0	0
DETAILS OF WRITE-INS					
0901.	.....			
0902.	.....			
0903.	.....			
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)	0	0	0	0

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE M CAID

EXHIBIT OF NON-ADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			0
2. Stocks (Schedule D):			
2.1 Preferred stocks			0
2.2 Common stocks			0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			0
3.2 Other than first liens			0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			0
4.2 Properties held for the production of income			0
4.3 Properties held for sale			0
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA)			0
6. Contract loans			0
7. Other invested assets (Schedule BA)			0
8. Receivables for securities			0
9. Aggregate write-ins for invested assets	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	0	0	0
11. Title plants (for Title insurers only)			0
12. Investment income due and accrued			0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection			0
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			0
13.3 Accrued retrospective premiums			0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			0
14.2 Funds held by or deposited with reinsured companies			0
14.3 Other amounts receivable under reinsurance contracts			0
15. Amounts receivable relating to uninsured plans			0
16.1 Current federal and foreign income tax recoverable and interest thereon			0
16.2 Net deferred tax asset			0
17. Guaranty funds receivable or on deposit			0
18. Electronic data processing equipment and software			0
19. Furniture and equipment, including health care delivery assets			0
20. Net adjustment in assets and liabilities due to foreign exchange rates			0
21. Receivable from parent, subsidiaries and affiliates			0
22. Health care and other amounts receivable	1,133,117	516,831	(616,286)
23. Aggregate write-ins for other than invested assets	0	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	1,133,117	516,831	(616,286)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0
26. Total (Lines 24 and 25)	1,133,117	516,831	(616,286)
DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998)(Line 9 above)	0	0	0
2301.			
2302.			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	0	0	0

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations	16,731	17,281	17,462	17,499	17,807	209,527
2. Provider Service Organizations						
3. Preferred Provider Organizations						
4. Point of Service						
5. Indemnity Only						
6. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0
7. Total	16,731	17,281	17,462	17,499	17,807	209,527
DETAILS OF WRITE-INS						
0601.						
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

M-CAID

Notes to Statutory Filing

December 31, 2005

Note 1—Operations and Summary of Significant Accounting Policies

Organization and Basis of Presentation: M-CAID is a not-for-profit corporation (“the Corporation”) established by The Regents of The University of Michigan as a subsidiary of M-CARE for the purpose of contracting directly with the State of Michigan to administer a Medicaid health maintenance organization. The Corporation is a tax-exempt entity under the provisions of section 501 (c)(4) of the Internal Revenue Code. The Corporation is regulated and licensed by the State of Michigan Office of Financial and Insurance Services (“OFIS”) and must submit periodic filings under rules promulgated by the State of Michigan.

The Regents of The University of Michigan, as the sole member of the Corporation, have the ultimate responsibility for the Corporation, and as part of the University, the financial position and results of operations of the Corporation are included in the combined financial statements.

Summary of Significant Accounting Policies: The financial statements have been prepared in accordance with the National Association of Insurance Commissioners’ (NAIC) *Accounting Practices and Procedures* manual except to the extent that the laws of the State of Michigan differ. The State of Michigan adopted codification guidance effective January 1, 2003 with order number 05-056-M, which allows entities to transition into codification if there is a significant financial impact. The Corporation was not impacted significantly by adopting codification and adopted it in full in January 1, 2003. Therefore, there are no significant differences between NAIC statutory accounting practices and the laws of the State of Michigan in the Corporation’s financial statements.

Use of Estimates: The preparation of financial statements in conformity with the *Annual Statement Instructions* and *Accounting Practices and Procedures Manual* requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Cash and Short-Term Investments: Cash and short-term investments include investments with maturities of less than one year at the date of acquisition. The carrying amounts reported in the accompanying balance sheet is at amortized cost.

Investments: Bonds are stated at amortized cost using the effective yield method.

Realized gains and losses are recognized in operations at the date of sale. A realized gain or loss represents the difference between the net sale proceeds received on the sale of a security and the security’s historical cost. If the investment security is a bond, historical cost is the amount paid at acquisition adjusted by accumulated bond amortization or accretion.

Health Care and Other Amounts Receivable: The Corporation contracts with the University of Michigan Hospitals and Health Centers (“UMHHC”) and Faculty Group Practice (“FGP”), which are also subsidiaries of The University of Michigan, for all services received by the Corporation’s

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE M CAID

subscribers. As such, all the Corporation's health expense was paid to the UMHHC and FGP. Services provided that are outside of the UMHHC and FGP provider system are ultimately their responsibility. Therefore, the Corporation has recorded a receivable from the UMHHC and FGP for the amount of unpaid claims at the end of the year. Additionally, to the extent that capitation paid to the UMHHC and FGP is different from the contractually agreed upon amounts, the Corporation records a receivable or payable. As a result of these two types of transactions, the Corporation has recorded a \$2,500,000 and \$1,700,000 receivable at December 31, 2005, and 2004, respectively.

Trust Accounts: As a condition of licensure with the State of Michigan, the Corporation has a statutory trust to maintain restricted funds for the sole benefit of the Corporation's members in the case of insolvency. These funds, which can be used only at the direction of the Insurance Commissioner in accordance with statutory provisions, are invested with JPMorgan Institutional Trust Services. Interest earned on these funds accrue to, and can be utilized by, the Corporation. As of December 31, 2005 and 2004, the Corporation had reached the required maximum balance of \$1,000,000.

Health Liability: Claims unpaid and unpaid claims adjustment expense represent management's best estimate of ultimate costs of all reported and unreported claims incurred through December 31. The liability for claims unpaid and unpaid adjustment expenses are estimated using individual case-basis valuations, statistical analyses and prior experience adjusted for current trends. Those estimates are subject to the effects of trends in cost and utilization of health care services. Although considerable variability is inherent in such estimates, management believes that the liability for claims unpaid and unpaid adjustment expenses is adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

Premiums: Premium revenues are recognized as revenue in the period in which the member is entitled to service.

Quality Assurance Assessment Fee: During 2003, the State of Michigan Department of Community Health began assessing the quality assurance assessment fee on each health maintenance organization that has a Medicaid managed care contract. The fee is based on a percentage of non-medicare premiums collected by the Corporation.

Health Expense: The Corporation contracts with the University of Michigan Hospitals and Health Centers ("UMHHC") and Faculty Group Practice ("FGP") under a full capitation arrangement.

Reclassifications: Certain prior year amounts have been reclassified to conform with current year presentations.

Note 2 – Accounting Changes and Corrections of Errors

This note does not apply to the Corporation in this period.

Note 3 – Business Combinations and Goodwill

This note does not apply to the Corporation in this period.

Note 4 – Discontinued Operations

This note does not apply to the Corporation in this period.

Note 5 – Investments

The Corporation had no investments in mortgage loans, debt restructuring, reverse mortgages, loan-backed securities, repurchase agreements, or real estate at December 31, 2005 and 2004.

Note 6 – Joint Ventures, Partnerships and Limited Liability Companies

The Corporation had no investments in Joint Ventures, Partnerships or Limited Liability Companies at December 31, 2005 and 2004.

Note 7 – Investment Income

No amount of investment income receivable was excluded.

Note 8 – Derivative Instruments

This note does not apply to the Corporation in this period.

Note 9 – Income Taxes

The Corporation is a not-for-profit 501(C)(4) corporation, and is not subject to federal, state, or local income taxes.

Note 10 – Information Concerning Parent, Subsidiaries and Affiliates

During 2005 and 2004, the Corporation paid M-CARE \$2,855,000 and \$2,686,000, respectively, for services rendered under the management agreement. Additionally, the Corporation paid the University of Michigan Health Services \$29,199,000 and \$24,924,000 in capitation during 2005 and 2004, respectively.

Note 11 – Debt: Surplus Not Payable

This note does not apply to the Corporation in this period.

Note 12 – Retirement Plan, Postemployment Benefits

This note does not apply to the Corporation in this period.

Note 13 – Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

The Corporation is wholly owned by the University. There are no shares of stock authorized or issued.

There were no restrictions placed on the Corporation's unassigned funds (surplus).

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE M CAID

The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:

Unrealized gains and losses:	\$0
Nonadmitted assets:	(\$616,286)
Separate account business:	\$0
Asset valuation reserves:	\$0
Reinsurance in unauthorized companies:	\$0

The Corporation has not been involved in a quasi-reorganization during 2005 or 2004.

Note 14 – Contingencies

This note does not apply to the Corporation in this period. The Corporation has no assets that it considers to be impaired.

Note 15 – Leases

This note does not apply to the Corporation in this period.

Note 16 – Financial Instruments with Off - Balance Sheet Risk

This note does not apply to the Corporation in this period. The Corporation's only long-term investments are in U.S. Treasury securities which are considered to have no credit risk.

Note 17 – Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

This note does not apply to the Corporation in this period.

Note 18 – Gain or Loss from Uninsured Plans

This note does not apply to the Corporation in this period.

Note 19 – Direct Premium Written / Produced by Managing General Agents / Third Party Administrators

This note does not apply to the Corporation in this period.

Note 20 – September 11 Events

This note does not apply to the Corporation in this period.

Note 21 – Other Items

This note does not apply to the Corporation in this period.

Note 22 – Events Subsequent

This note does not apply to the Corporation in this period.

Note 23 – Reinsurance

A. Ceded Reinsurance Report

Section 1 – General Interrogatories

- (1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company?

Yes ()

No (X)

If yes, give full details.

- (2) Have any policies issued by the company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other person not primarily engaged in the insurance business?

Yes ()

No (X)

If yes, give full details.

Section 2 – Ceded Reinsurance Report – Part A

- (1) Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit?

Yes ()

No (X)

- a. a. If yes, what is the estimated amount of the aggregate reduction in surplus of a unilateral cancellation by the reinsurer as of the date of this statement, for those agreements in which cancellation results in a net obligation of the reporting entity to the reinsurer, and for which such obligation is not presently accrued? Where necessary, the reporting entity may consider the current or anticipated experience of the business reinsured in making this estimate \$N/A.

- b. b. What is the total amount of reinsurance credits taken, whether as an asset or as a reduction of liability for these agreements in this statement?
\$N/A.

- (2) Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes ()

No (X)

If yes, give full details.

Section 3 – Ceded Reinsurance Report – Part B

- (1) What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected in Section 2 above) of termination of ALL reinsurance agreements, by either party, as of the date of this statement? Where necessary, the company may consider the current or anticipated experience of the business reinsured in making this estimate. \$0.

- (2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement?

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE M CAID

Yes ()

No (X)

If yes, what is the amount of reinsurance credits, whether an asset or a reduction of liability, taken for such new agreements or amendments? \$N/A

Note 24 – Retrospectively Rated Contracts

This note does not apply to the Corporation in this period.

Note 25 – Change in Incurred Claims and Claim Adjustment Expenses

Changes in accrued health care expenses for the years ended December 31, 2004 and 2003 are summarized as follows:

	<u>2005</u>	<u>2004</u>
	(in thousands)	
Accrued health care expenses, beginning of year	\$ 1,248	\$ 1,100
Incurred related to:		
Current year	29,252	25,051
Prior years	(53)	(89)
Total incurred	<u>29,198</u>	<u>24,962</u>
Paid related to:		
Current year	(28,227)	(23,822)
Prior years	<u>(1,041)</u>	<u>(992)</u>
Total paid	<u>(29,269)</u>	<u>(24,814)</u>
Accrued health care expenses, end of year	\$ 1,177	\$ 1,248

The liability for accrued health care expenses includes the Corporation's estimate of the total remaining liability for reported and unreported claims, including unpaid claims adjustment expenses. The method of making such estimates and for establishing the resultant reserves is continually reviewed and updated, and any adjustments resulting there from are reflected in expense currently. Although management believes that the provision for unpaid claims is adequate, no assurance can be given that the ultimate settlement of these liabilities may not be greater or less than such estimates. The 2005 health care services expenses include the impact of favorable changes in previous years' incurred but not reported estimates of \$53,000.

Note 26 – Intercompany Pooling Arrangements

This note does not apply to the Corporation in this period.

Note 27 – Structured Settlements

This note does not apply to the Corporation in this period.

Note 28 – Health Care Receivables

As all pharmaceutical rebates are received by the Corporation more than 180 days after billing, no receivables are recorded. Schedule is reported in thousands.

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
12/31/2005	\$49	\$0	\$0	\$0	\$49
9/30/2005	33	0	0	0	33
6/30/2005	57	0	0	0	57
3/30/2005	56	0	0	0	56
12/31/2004	\$64	\$0	\$0	\$0	\$64
9/30/2004	107	0	0	0	107
6/30/2004	0	0	0	0	0
3/30/2004	164	0	0	0	164
12/31/2003	125	0	0	0	125
9/30/2003	30	0	0	0	30
6/30/2003	20	0	0	0	20
3/31/2003	26	0	0	0	26

Note 29 – Participating Policies

This note does not apply to the Corporation in this period.

Note 30 – Premium Deficiency Reserves

This note does not apply to the Corporation in this period.

Note 31 – Anticipated Salvage and Subrogation

This note does not apply to the Corporation in this period.

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE M CAID

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. Treasury securities	1, 108, 642	74.071	1, 108, 642	74.071
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies		0.000		0.000
1.22 Issued by U.S. government sponsored agencies		0.000		0.000
1.3 Foreign government (including Canada, excluding mortgaged-backed securities)		0.000		0.000
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S. :				
1.41 States, territories and possessions general obligations		0.000		0.000
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations		0.000		0.000
1.43 Revenue and assessment obligations		0.000		0.000
1.44 Industrial development and similar obligations		0.000		0.000
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA		0.000		0.000
1.512 Issued or guaranteed by FNMA and FHLMC		0.000		0.000
1.513 All other		0.000		0.000
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA		0.000		0.000
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521		0.000		0.000
1.523 All other		0.000		0.000
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)		0.000		0.000
2.2 Unaffiliated foreign securities		0.000		0.000
2.3 Affiliated securities		0.000		0.000
3. Equity interests:				
3.1 Investments in mutual funds		0.000		0.000
3.2 Preferred stocks:				
3.21 Affiliated		0.000		0.000
3.22 Unaffiliated		0.000		0.000
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated		0.000		0.000
3.32 Unaffiliated		0.000		0.000
3.4 Other equity securities:				
3.41 Affiliated		0.000		0.000
3.42 Unaffiliated		0.000		0.000
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated		0.000		0.000
3.52 Unaffiliated		0.000		0.000
4. Mortgage loans:				
4.1 Construction and land development		0.000		0.000
4.2 Agricultural		0.000		0.000
4.3 Single family residential properties		0.000		0.000
4.4 Multifamily residential properties		0.000		0.000
4.5 Commercial loans		0.000		0.000
4.6 Mezzanine real estate loans		0.000		0.000
5. Real estate investments:				
5.1 Property occupied by the company		0.000		0.000
5.2 Property held for the production of income (including \$ of property acquired in satisfaction of debt)		0.000		0.000
5.3 Property held for sale (including \$ property acquired in satisfaction of debt)		0.000		0.000
6. Contract loans		0.000		0.000
7. Receivables for securities		0.000	0	0.000
8. Cash, cash equivalents and short-term investments	388, 094	25.929	388, 094	25.929
9. Other invested assets		0.000		0.000
10. Total invested assets	1, 496, 736	100.000	1, 496, 736	100.000

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE M CAID

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes ☒ No ☐

1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes ☒ No ☐ N/A ☐

1.3

State Regulating?

Michigan

2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes ☐ No ☒

2.2

If yes, date of change:

If not previously filed, furnish herewith a certified copy of the instrument as amended.

3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2003

3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2003

3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

06/30/2005

3.4

By what department or departments?

Michigan Office of Financial Services and Insurance

4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business?

Yes ☐ No ☒

4.12 renewals?

Yes ☐ No ☒

4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business?

Yes ☐ No ☒

4.22 renewals?

Yes ☐ No ☒

5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes ☐ No ☒

5.2

If yes, provide name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.)

Yes ☐ No ☒

6.2

If yes, give full information:

7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes ☐ No ☒

7.2

If yes,

7.21 State the percentage of foreign control;

7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

1 Nationality	2 Type of Entity

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE M CAID

GENERAL INTERROGATORIES

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No [X]
- 8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
PricewaterhouseCoopers, Two Commerce Square, 2001 Market Street Philadelphia, PA 19103
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
PricewaterhouseCoopers LLP, One North Wacker, Chicago, IL 60606
- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [] No [X]

11.11 Name of real estate holding company

11.12 Number of parcels involved

11.13 Total book/adjusted carrying value\$

- 11.2 If, yes provide explanation:
.....
12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

- 12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No []
- 12.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No []
- 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] N/A []

BOARD OF DIRECTORS

13. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes [X] No []
14. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [X] No []
15. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict with the official duties of such person? Yes [X] No []

FINANCIAL

- 16.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

16.11 To directors or other officers.....\$

16.12 To stockholders not officers.....\$

16.13 Trustees, supreme or grand (Fraternal Only)\$
- 16.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

16.21 To directors or other officers.....\$

16.22 To stockholders not officers.....\$

16.23 Trustees, supreme or grand (Fraternal Only)\$
- 17.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in this statement? Yes [] No [X]
- 17.2 If yes, state the amount thereof at December 31 of the current year:

17.21 Rented from others.....\$

17.22 Borrowed from others.....\$

17.23 Leased from others\$

17.24 Other\$
- 18.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [] No [X]
- 18.2 If answer is yes,

18.21 Amount paid as losses or risk adjustment \$

18.22 Amount paid as expenses\$

18.23 Other amounts paid\$
- 19.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [] No [X]
- 19.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount?\$0

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE M CAID

GENERAL INTERROGATORIES

INVESTMENT

20.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits? Yes [X] No []

20.2 If no, give full and complete information relating thereto:

21.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on the Schedule E - Part 3 - Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 17.1). Yes [] No [X]

21.2 If yes, state the amount thereof at December 31 of the current year:

21.21 Loaned to others\$

21.22 Subject to repurchase agreements\$

21.23 Subject to reverse repurchase agreements\$

21.24 Subject to dollar repurchase agreements\$

21.25 Subject to reverse dollar repurchase agreements\$

21.26 Pledged as collateral\$

21.27 Placed under option agreements\$

21.28 Letter stock or other securities restricted as to sale ...\$

21.29 Other\$

21.3 For category (21.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....
.....

22.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]

22.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No [] N/A []
If no, attach a description with this statement.

23.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [] No [X]

23.2 If yes, state the amount thereof at December 31 of the current year.\$

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE M CAID

GENERAL INTERROGATORIES

24. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV.H - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes [X] No []

24.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Nature of Custodian(s)	2 Custodian's Address
Mellon Bank	135 Santilli Hwy.; Everett, MA 02149
.....

24.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
.....
.....

24.03 Have there been any changes, including name changes, in the custodian(s) identified in 24.01 during the current year?

Yes [] No [X]

24.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
.....
.....

24.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of brokers/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
.....
.....

25.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5(b)(1)]?

Yes [] No [X]

25.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
.....
.....
25.2999 - Total		0

25.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
.....
.....

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE M CAID

GENERAL INTERROGATORIES

26. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
26.1 Bonds	1,699,097	1,697,279	(1,818)
26.2 Preferred stocks			0
26.3 Totals	1,699,097	1,697,279	(1,818)

26.4 Describe the sources or methods utilized in determining the fair values:
Fair values are provided by Mellon Bank via detailed investment reports received

27.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No []

27.2 If no, list exceptions:

OTHER

28.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?\$

28.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
.....
.....
.....

29.1 Amount of payments for legal expenses, if any?\$

29.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
.....
.....
.....

30.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?\$

30.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
.....
.....
.....

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE M CAID

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [] No [X]

1.2

If yes, indicate premium earned on U. S. business only

\$

1.3

What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$

1.31

Reason for excluding

1.4

Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$

1.5

Indicate total incurred claims on all Medicare Supplement Insurance.

\$

1.6

Individual policies:

Most current three years:

1.61 Total premium earned

\$

1.62 Total incurred claims

\$

1.63 Number of covered lives

.....

All years prior to most current three years

1.64 Total premium earned

\$

1.65 Total incurred claims

\$

1.66 Number of covered lives

.....

1.7

Group policies:

Most current three years:

1.71 Total premium earned

\$

1.72 Total incurred claims

\$

1.73 Number of covered lives

.....

All years prior to most current three years

1.74 Total premium earned

\$

1.75 Total incurred claims

\$

1.76 Number of covered lives

.....

2.

Health Test:

1

Current Year

2

Prior Year

2.1 Premium Numerator

34,721,256

29,686,842

2.2 Premium Denominator

34,721,256

29,686,842

2.3 Premium Ratio (2.1/2.2)

1.000

1.000

2.4 Reserve Numerator

1,177,742

1,210,140

2.5 Reserve Denominator

1,143,008

1,210,140

2.6 Reserve Ratio (2.4/2.5)

1.030

1.000

3.1

Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes [] No [X]

3.2

If yes, give particulars:

4.1

Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes [X] No []

4.2

If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes [] No []

5.1

Does the reporting entity have stop-loss reinsurance?

Yes [] No [X]

5.2

If no, explain

M-Caid has a full risk arrangement with the UMHS

5.3

Maximum retained risk (see instructions)

5.31 Comprehensive Medical

\$

5.32 Medical Only

\$

5.33 Medicare Supplement

\$

5.34 Dental

\$

5.35 Other Limited Benefit Plan

\$

5.36 Other

\$

6.

Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

M-CAID currently has an insolvency arrangement with Allianz Life Insurance Company for insolvency protection

7.1

Does the reporting entity set up its claim liability for provider services on a service date basis?.....

Yes [X] No []

7.2

If no, give details

8.

Provide the following information regarding participating providers:

8.1 Number of providers at start of reporting year

1,311

8.2 Number of providers at end of reporting year

1,372

9.1

Does the reporting entity have business subject to premium rate guarantees?

Yes [] No [X]

9.2

If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months..\$.....

9.22 Business with rate guarantees over 36 months

\$

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE M CAID

GENERAL INTERROGATORIES

10.1

Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts?

Yes [] No [X]

10.2

If yes:

10.21

Maximum amount payable bonuses.....

\$

10.22

Amount actually paid for year bonuses.....

\$

10.23

Maximum amount payable withholds.....

\$

10.24

Amount actually paid for year withholds.....

\$

11.1

Is the reporting entitiy organized as:

11.12

A Medical Group/Staff Model,

Yes [] No [X]

11.13

An Individual Practice Association (IPA), or, .

Yes [] No [X]

11.14

A Mixed Model (combination of above)?

Yes [] No [X]

11.2

Is the reporting entity subject to Minimum Net Worth Requirements?

Yes [X] No []

11.3

If yes, show the name of the state requiring such net worth

Michigan

11.4

If yes, show the amount required

\$ 1,500,000

11.5

Is this amount included as part of a contingency reserve in stockholder's equity?

Yes [] No [X]

11.6

If the amount is calculated, show the calculation

12. List service areas in which reporting entity is licensed to operate:

1
Name of Service Area
Washtenaw County,Livingston County, and the following zip codes within Wayne County(48111,48152,48167,48170,48187,48188)
.....

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE M CAID

FIVE-YEAR HISTORICAL DATA

	1 2005	2 2004	3 2003	4 2002	5 2001
BALANCE SHEET (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	3,367,368	3,324,291	3,185,888	1,048,319	0
2. Total liabilities (Page 3, Line 22)	1,330,655	1,265,820	1,121,824	0	0
3. Statutory surplus					
4. Total capital and surplus (Page 3, Line 31)	2,036,713	2,058,471	2,064,064	1,048,319	0
INCOME STATEMENT (Page 4)					
5. Total revenues (Line 8)	32,560,298	28,005,173	25,351,157	0	0
6. Total medical and hospital expenses (Line 18)	29,198,744	24,924,226	22,556,000	0	0
7. Claims adjustment expenses (Line 20)	256,398	230,389	0	0	
8. Total administrative expenses (Line 21)	2,594,589	2,459,029	2,445,239	0	0
9. Net underwriting gain (loss) (Line 24)	510,567	391,529	349,918	0	0
10. Net investment gain (loss) (Line 27)	83,960	83,589	55,808	(1,681)	0
11. Total other income (Lines 28 plus 29)	0	0	0	0	0
12. Net income or (loss) (Line 32)	594,527	475,118	405,726	(1,681)	0
RISK-BASED CAPITAL ANALYSIS					
13. Total adjusted capital	2,036,713	2,058,471	2,064,064	1,987,916	0
14. Authorized control level risk-based capital	848,880	751,578	717,095	652,854	0
ENROLLMENT (Exhibit 1)					
15. Total members at end of period (Column 5, Line 7)	17,807	16,731	15,040	0	0
16. Total members months (Column 6, Line 7)	209,527	190,408	178,205	0	0
OPERATING PERCENTAGE (Page 4) (Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
17. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
18. Total hospital and medical plus other non-health (Lines 18 plus Line 19)	84.1	84.0	85.5	0.0	0.0
19. Cost containment expenses	0.4	0.5	XXX	XXX	XXX
20. Other claims adjustment expenses	0.3	0.3	0.0	0.0	
21. Total underwriting deductions (Line 23)	92.3	93.0	94.8	0.0	0.0
22. Total underwriting gain (loss) (Line 24)	1.5	1.3	1.3	0.0	0.0
UNPAID CLAIMS ANALYSIS (U&I Exhibit, Part 2B)					
23. Total claims incurred for prior years (Line 13, Col. 5)	1,194,953	1,011,733	0	0	0
24. Estimated liability of unpaid claims-[prior year (Line 13, Col. 6)]	1,248,052	1,099,769	0	0	0
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
25. Affiliated bonds (Sch. D Summary, Line 25, Col. 1)	0	0	0	0	0
26. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1)			0	0	0
27. Affiliated common stocks (Sch. D Summary, Line 53, Col. 2)			0	0	0
28. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11)	0	0	0	0	0
29. Affiliated mortgage loans on real estate					
30. All other affiliated					
31. Total of above Lines 25 to 30	0	0	0	0	0

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE M CAID

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year		1	2	3	4
Description		Book/Adjusted Carrying Value	Fair Value	Actual Cost	Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1. United States	1, 108, 642	1, 106, 824	1, 108, 563	1, 109, 566
	2. Canada				
	3. Other Countries				
	4. Totals	1, 108, 642	1, 106, 824	1, 108, 563	1, 109, 566
States, Territories and Possessions (Direct and guaranteed)	5. United States				
	6. Canada				
	7. Other Countries				
	8. Totals	0	0	0	0
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States				
	10. Canada				
	11. Other Countries				
	12. Totals	0	0	0	0
Special revenue and special assessment obligations and all non- guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States				
	14. Canada				
	15. Other Countries				
	16. Totals	0	0	0	0
Public Utilities (unaffiliated)	17. United States				
	18. Canada				
	19. Other Countries				
	20. Totals	0	0	0	0
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States				
	22. Canada				
	23. Other Countries				
	24. Totals	0	0	0	0
Parent, Subsidiaries and Affiliates	25. Totals	0	0	0	0
	26. Total Bonds	1, 108, 642	1, 106, 824	1, 108, 563	1, 109, 566
PREFERRED STOCKS Public Utilities (unaffiliated)	27. United States				
	28. Canada				
	29. Other Countries				
	30. Totals	0	0	0	
Banks, Trust and Insurance Companies (unaffiliated)	31. United States				
	32. Canada				
	33. Other Countries				
	34. Totals	0	0	0	
Industrial and Miscellaneous (unaffiliated)	35. United States				
	36. Canada				
	37. Other Countries				
	38. Totals	0	0	0	
Parent, Subsidiaries and Affiliates	39. Totals				
	40. Total Preferred Stocks	0	0	0	
COMMON STOCKS Public Utilities (unaffiliated)	41. United States				
	42. Canada				
	43. Other Countries				
	44. Totals	0	0	0	
Banks, Trust and Insurance Companies (unaffiliated)	45. United States				
	46. Canada				
	47. Other Countries				
	48. Totals	0	0	0	
Industrial and Miscellaneous (unaffiliated)	49. United States				
	50. Canada				
	51. Other Countries				
	52. Totals	0	0	0	
Parent, Subsidiaries and Affiliates	53. Totals				
	54. Total Common Stocks	0	0	0	
	55. Total Stocks	0	0	0	
	56. Total Bonds and Stocks	1, 108, 642	1, 106, 824	1, 108, 563	

SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks	
1. Book/adjusted carrying value of bonds and stocks, prior year	7. Amortization of premium .....27,340
2. Cost of bonds and stocks acquired, Col. 7, Part 3	8. Foreign Exchange Adjustment:
3. Accrual of discount	8.1 Col. 15, Part 1 .....0
4. Increase (decrease) by adjustment:	8.2 Col. 19, Part 2, Sec. 1
4.1 Col. 12 - 14, Part 1	8.3 Col. 16, Part 2, Sec. 2
4.2 Col. 15 - 17, Part 2, Sec. 1	8.4 Col. 15, Part 4 .....0
4.3 Col. 15, Part 2, Sec. 2	9. Book/adjusted carrying value at end of current period .....1, 108, 641
4.4 Col. 11 - 13, Part 4 .....0	10. Total valuation allowance
5. Total gain (loss), Col. 19, Part 4	11. Subtotal (Lines 9 plus 10) .....1, 108, 641
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	12. Total nonadmitted amounts .....0
	13. Statement value of bonds and stocks, current period .....1, 108, 641

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE M CAID

SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories								
States, etc.	1 Guaranty Fund (Yes or No)	2 Is Insurer Licensed? (Yes or No)	Direct Business Only					
			3 Accident and Health Premiums	4 Medicare Title XVIII	5 Medicaid Title XIX	6 Federal Employees Health Benefits Program Premiums	7 Life and Annuity Premiums and Deposit-Type Contract Funds	8 Property/ Casualty Premiums
1. Alabama AL		NO						
2. Alaska AK		NO						
3. Arizona AZ		NO						
4. Arkansas AR		NO						
5. California CA		NO						
6. Colorado CO		NO						
7. Connecticut CT		NO						
8. Delaware DE		NO						
9. District of Columbia DC		NO						
10. Florida FL		NO						
11. Georgia GA		NO						
12. Hawaii HI		NO						
13. Idaho ID		NO						
14. Illinois IL		NO						
15. Indiana IN		NO						
16. Iowa IA		NO						
17. Kansas KS		NO						
18. Kentucky KY		NO						
19. Louisiana LA		NO						
20. Maine ME		NO						
21. Maryland MD		NO						
22. Massachusetts MA		NO						
23. Michigan MI		YES			34,725,391			
24. Minnesota MN		NO						
25. Mississippi MS		NO						
26. Missouri MO		NO						
27. Montana MT		NO						
28. Nebraska NE		NO						
29. Nevada NV		NO						
30. New Hampshire NH		NO						
31. New Jersey NJ		NO						
32. New Mexico NM		NO						
33. New York NY		NO						
34. North Carolina NC		NO						
35. North Dakota ND		NO						
36. Ohio OH		NO						
37. Oklahoma OK		NO						
38. Oregon OR		NO						
39. Pennsylvania PA		NO						
40. Rhode Island RI		NO						
41. South Carolina SC		NO						
42. South Dakota SD		NO						
43. Tennessee TN		NO						
44. Texas TX		NO						
45. Utah UT		NO						
46. Vermont VT		NO						
47. Virginia VA		NO						
48. Washington WA		NO						
49. West Virginia WV		NO						
50. Wisconsin WI		NO						
51. Wyoming WY		NO						
52. American Samoa AS		NO						
53. Guam GU		NO						
54. Puerto Rico PR		NO						
55. U.S. Virgin Islands VI		NO						
56. Canada CN		NO						
57. Aggregate Other Aliens OT	XXX	XXX	0	0	0	0	0	0
58. Subtotal	XXX	XXX	0	0	34,725,391	0	0	0
59. Reporting Entity Contributions for Employee Benefit Plans	XXX	XXX						
60. Total (Direct Business)	XXX	(a) 1	0	0	34,725,391	0	0	0
DETAILS OF WRITE-INS								
5701.	XXX	XXX						
5702.	XXX	XXX						
5703.	XXX	XXX						
5798. Summary of remaining write-ins for Line 57 from overflow page	XXX	XXX	0	0	0	0	0	0
5799. Totals (Lines 5701 thru 5703 plus 5798)(Line 57 above)	XXX	XXX	0	0	0	0	0	0

Explanation of basis of allocation by states, premiums by state, etc.

(a) Insert the number of yes responses except for Canada and Other Alien.

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE M CAID

SCHEDULE T - PART 2

INTERSTATE COMPACT PRODUCTS - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories

		Direct Business Only				
		1	2	3	4	6
States, Etc.		Life (Group and Individual)	Annuities (Group and Individual)	Disability Income (Group and Individual)	Long-Term Care (Group and Individual)	Totals
1.	Alabama	AL				0
2.	Alaska	AK				0
3.	Arizona	AZ				0
4.	Arkansas	AR				0
5.	California	CA				0
6.	Colorado	CO				0
7.	Connecticut	CT				0
8.	Delaware	DE				0
9.	District of Columbia	DC				0
10.	Florida	FL				0
11.	Georgia	GA				0
12.	Hawaii	HI				0
13.	Idaho	ID				0
14.	Illinois	IL				0
15.	Indiana	IN				0
16.	Iowa	IA				0
17.	Kansas	KS				0
18.	Kentucky	KY				0
19.	Louisiana	LA				0
20.	Maine	ME				0
21.	Maryland	MD				0
22.	Massachusetts	MA				0
23.	Michigan	MI				0
24.	Minnesota	MN				0
25.	Mississippi	MS				0
26.	Missouri	MO				0
27.	Montana	MT				0
28.	Nebraska	NE				0
29.	Nevada	NV				0
30.	New Hampshire	NH				0
31.	New Jersey	NJ				0
32.	New Mexico	NM				0
33.	New York	NY				0
34.	North Carolina	NC				0
35.	North Dakota	ND				0
36.	Ohio	OH				0
37.	Oklahoma	OK				0
38.	Oregon	OR				0
39.	Pennsylvania	PA				0
40.	Rhode Island	RI				0
41.	South Carolina	SC				0
42.	South Dakota	SD				0
43.	Tennessee	TN				0
44.	Texas	TX				0
45.	Utah	UT				0
46.	Vermont	VT				0
47.	Virginia	VA				0
48.	Washington	WA				0
49.	West Virginia	WV				0
50.	Wisconsin	WI				0
51.	Wyoming	WY				0
52.	American Samoa	AS				0
53.	Guam	GU				0
54.	Puerto Rico	PR				0
55.	U.S. Virgin Islands	VI				0
56.	Canada	CN				0
57.	Aggregate Other Alien	OT				0
58.	Total	0	0	0	0	0

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART

**The Regents of
The University of Michigan
(University of Michigan Health System)**

M-CARE

M-CAID

**Michigan Health
Insurance Company**

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE M CAID

OVERFLOW PAGE FOR WRITE-INS